

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-02 L-03 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /105 W

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R 280547Z JUL 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8039

INFO AMEMBASSY WELLINGTON

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 12/31/76

TAGS: EAID, EFIN, WS

SUBJECT: TECHNICAL ASSISTANCE TO WESTERN SAMOA FOR COCONUT
OIL PROCESSING MILL PROJECT

1. ON JULY 19, ADB PRESIDENT APPROVED TECHNICAL ASSISTANCE
(TA) GRANT NOT TO EXCEED \$37,000 EQUIVALENT TO GOVERNMENT
OF WESTERN SAMOA TO FINANCE FOREX COST OF FORMULATING AN
ECONOMICALLY VIABLE AND TECHNICALLY FEASIBLE PROJECT FOR
ESTABLISHING A COCONUT OIL PROCESSING MILL. BANK HAS
PREVIOUSLY APPROVED SEVEN LOANS, TOTALLING ABOUT \$10.6
MILLION, AND SIX TA GRANTS, TOTALLING \$693,500, FOR
WESTERN SAMOA.

2. WESTERN SAMOA CONSISTS OF NINE ISLANDS WITH TOTAL LAND
AREA OF ABOUT 1,775 SQ. MILES, POPULATION OF ABOUT 152,000,
AND A PER CAPITA INCOME WITHIN RANGE OF U.S. \$200-300.
ECONOMY IS PREDOMINANTLY AGRICULTURAL, DEPENDENT LARGELY
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ON EXPORTS OF COCONUT, COCOA, AND BANANAS. SECONDARY

ACTIVITIES, MAINLY PROCESSING/MANUFACTURE OF TIMBER
FOODSTUFFS, CLOTHING AND FOOTWEAR, HAVE DONE WELL
SINCE INTRODUCTION OF FISCAL INCENTIVES IN 1965.

3. COUNTRY'S EXTERNAL ACCOUNTS HAVE BEEN CHARACTERIZED
BY WIDENING TRADE DEFICITS OWING TO RAPID RISE OF
IMPORTS AND SLOW GROWTH OF EXPORTS DUE TO STAGNANT
AGRICULTURAL PRODUCTION. TRADE DEFICIT WIDENED FROM
U.S. \$22 MILLION EQUIVALENT IN 1972 TO U.S. \$37 MILLION
IN 1975. RESERVES WERE U.S. \$6.4 MILLION AT END OF
1975.EQUIVALENT TO 2.5 MONTHS OF IMPORTS.

4. COPRA EXPORTS HAVE FLUCTUATED WIDELY WITH WORLD
PRICE SWINGS, REACHING \$7.7 MILLION (61 PERCENT OF
TOTAL EXPORT EARNINGS) IN 1974, FALLING TO \$4.1 MILLION
(57.5 PERCENT) IN 1975. PROPOSED PROJECT WOULD INCREASE
AND HELP TO STABILIZE EARNINGS FROM COPRA BY PROCESSING
COPRA INTO HIGHER VALUE EXPORT PRODUCTS SUCH AS COCONUT
OIL AND COCONUT OIL DERIVATIVES. AT SAME TIME, IT
WOULD REALIZE FOREIGN EXCHANGE SAVINGS THROUGH IMPORT
SUBSTITUTION BY MAKING LOCALLY PRODUCED COOKING OIL
AND COPRA CAKE AVAILABLE TO MARKET.

5. PROJECT IS FOR A SAMLL MILL WITH CAPACITY FOR
PROCESSING ABOUT 40 TONS OF COPRA PER DAY OR ABOUT
13,000 TONS PER YEAR; I.E. ABOUT 80 PERCENT OF
AVERAGE ANNUAL EXPORTS OVER PAST FIVE YEARS. TA GRANT
WILL FINANCE CONSULTANCY SERVICES FOR PERIOD OF
ABOUT FOUR MAN-MONTHS FOR AN EXAMINATION OF FEASIBILITY
AND VIABILITY OF PROJECT INCLUDING TECHNICAL, MARKETING,
FINANCIAL, ECONOMIC AND INSTITUTIONAL ASPECTS.
GOVERNMENT HAS AGREED TO PROVIDE ESTIMATED \$3,000
EQUIVALENT LOCAL CURRENCY COMPONENT OF TA. CONSULTANT'S
FINAL REPORT IS EXPECTED TO BE AVAILABLE TO BANK FOUR
MONTHS AFTER COMMENCEMENT OF SERVICES.

6. ADB DOC. R81-76 ON ABOVE PROJECT POUCHED JULY 26.
UNDER PARA. 7.2 OF ADB'S GUIDELINES FOR TECHNICAL
ASSISTANCE, TA PROJECTS IN AMOUNT NOT EXCEEDING \$50,000
MAY BE APPROVED BY PRESIDENT AND DO NOT REQUIRE APPROVAL
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OF BOARD OF DIRECTORS.
SULLIVAN

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